

**Audit Review Committee
Meeting Minutes
November 14, 2007**

The Bethany Beach Audit Review Committee held a meeting on Wednesday, November 14, 2007, in the Town Meeting Room.

Members present: Don Doyle, Chairman, who presided; Lew Killmer, Joe Healy and Chuck Peterson.

Also present: Janet Connery, Finance Department; Jack Gordon (filling in for Mr. Dorfman); Phil Rossi, Internal Auditor; JoAnna Nichols, Administrative Secretary; and interested members of the public.

Call to Order

Mr. Doyle called the meeting to order at 10:00 a.m.

Approval of the Agenda

The agenda was unanimously approved.

Approval of the minutes from the September 6, 2007 meeting

Mr. Killmer made a motion to approve the minutes. The motion was seconded by Mr. Healy and was unanimously approved.

Review Internal Auditor's Position Description

The following changes were agreed and made.

- Take out the word "Essential" from "Essential Duties and Responsibilities"
- Change number two from "Determine departments or operations to be audited and timing and frequency of internal audits" to "Perform audit activities as shown on the Internal Audit Checklist".
- Adding "...by the Audit Committee" to the last item "Performs other duties as assigned".

A copy of the revised job description will be forwarded to the Town Manager's Office.

Report by Internal Auditor of Audits-to-Date

Mr. Rossi reviewed his checklist memo and then gave some examples of the test he had conducted.

Mr. Healy's recommendations:

- 1.) When bank statements come in the mail, they should be opened and reviewed by someone else other than the person doing the reconciliation. In this process, looking for any unusual activity or alterations that might have been made to

checks written. Mr. Healy suggested the Town Manager do this, but Ms. Connery recommended the Internal Auditor handle it instead.

Ms. Connery expressed her concern that things such as reports on non-sufficient funds or regular payments from people who use the online banking need to get to her in a timely fashion.

An alternate solution would be all bank mail continue to go to Ms. Connery first but then she would leave the bank statements unopened, and forward them to Mr. Rossi to review before filing. Committee members agreed.

- 2.) Mr. Rossi should review the differences between periods and look into any unforeseen changes. Ms. Connery added that Mr. Rossi recently assessed the breakdown, which was a comparison of this year's revenue through October. Ms. Connery proposed adding this review to the checklist so that it is done on an annual basis. Committee members agreed.
- 3.) Odd transactions: Mr. Healy said that "adjusting entries" should be reviewed for any lack of discretion. Ms. Connery mentioned that she has a binder of Journal Vouchers (JV's) where she keeps general ledger transactions. Ms. Connery suggested adding this item to the checklist. Committee members agreed.

Mr. Doyle's recommendations:

- 1.) Confirmation of approved salary: The Internal Auditor should evaluate pay rates that have already been approved by the Human Resource Department, to the rates used to calculate paychecks. It was suggested to add this to the checklist as point number 4, "Verify Human Resource records for employee including comparing documented approved pay rate to payroll records". Committee members agreed.
- 2.) Requiring vacation use: Mr. Doyle suggested each employee take two weeks of successive vacation per year. Only the Town Manager is able to waive this by his own determination or at the request of the employee. Taking consecutive time would give the employee the necessary break from work as well as give others the opportunity to learn a different job. Doing such things has uncovered fraud in other places of business.
Ms. Connery did not agree with the two consecutive weeks. She feels that is too long, plus the small number of staff does not allow for complete cross training. She added that this may put an unnecessary burden on other employees as their work would double as well as adding additional hardship on a person needing to use their vacation time in smaller increments throughout the year. It was recommended to change this time to seven consecutive days, as this is much more controllable. Committee members agreed.

Ms. Connery was asked to talk to the Town Manager about possibly adding this to the employee manual.

Review Internal Audit Checklist

The checklist should be changed so it includes the items recommended above. The Audit Committee agreed that the Committee should revise this checklist on a yearly basis and review it every other year.

Review Whistleblower Policy

In the second sentence, starting with “An employee who retaliates...” should be moved to the middle of the last paragraph. Committee members agreed that once this change has been made, a draft policy (which include the recommendations) should be given to the Town Manager’s office as well as adding it to the employee manual.

Comments on Finance Procedures

Mr. Healy requested a copy. No specific comments were made at this time.

Comments on Employees Manual (Handbook) and employee acknowledgement annually

The Manual should include the comments and corrections Mr. Killmer sent to Lisa Kail by email last month. Committee members agreed they would like a separate Code of Ethics, which would also be included in the manual. Ms. Connery will resend this to the Town Manager’s office. She added that this was previously done in 2005 but was never implemented as a stand-alone policy.

Committee members requested that when revisions are complete, the Employee Manual should be given to all Town Council and members of the Audit Committee.

The Committee agreed that Human Resource records should include the Employee Acknowledgement Forms signed by the employee when they are hired and annually each year after. The form should mention changes made to the Manual in the time the employee last signed the acknowledgement form.

There was no set date for the next Audit Committee meeting. The meeting was adjourned at 11:10 a.m.

Respectfully submitted:

JoAnna Nichols
Administrative Secretary